

# Annual Report 1972

PHILADELPHIA ELECTRIC COMPANY









*Construction of Peach Bottom atomic power station progresses on the Susquehanna River, with commercial operation of the first 1,065,000-kilowatt nuclear unit scheduled for the fall of 1973. Operation of the second unit is planned for the fall of 1974.*

*Cover  
Philadelphia Electric's new 26-story headquarters building, upper center, casts its shadow on the Schuylkill River toward Philadelphia's famed Museum of Art.*

## Annual Report 1972

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CORPORATION FILE

### Annual Meeting

The annual meeting of the shareholders of the Company will be held on April 11, 1973, at eleven a.m., in the Crystal Ballroom of the Benjamin Franklin Hotel, Ninth and Chestnut Streets, Philadelphia.

Holders of common stock of record at the close of business March 2 are entitled to vote at this meeting.

Notice of the meeting, proxy statement, and proxy will be mailed under separate cover. Prompt return of the proxies will be appreciated.

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## Officers

**Robert F. Gilkeson**  
Chairman of the Board

**James L. Everett**  
President

**Allan G. Mitchell**  
Senior Vice President

**William H. Jones**  
Senior Vice President

**Robert P. Liversidge**  
Vice President,  
Electric Operations

**Charles W. Watson**  
Vice President,  
General Administration

**Henry T. Bryans**  
Vice President,  
Personnel and Public Relations

**Vincent S. Boyer**  
Vice President,  
Engineering and Research

**Edward G. Bauer, Jr.**  
Vice President and  
General Counsel

**John H. Austin, Jr.**  
Vice President,  
Finance and Accounting

**Martin F. Gavet**  
Vice President, Gas Operations

**Clair V. Myers**  
Vice President,  
Purchasing and General Services

**William B. Morlok**  
Vice President,  
Commercial Operations

**Vincent J. Walsh**  
Secretary

**George W. Miller**  
Treasurer

**James D. Lynch**  
Assistant Secretary

**David W. Evans, Jr.**  
Assistant Treasurer

**Alfred M. Newill**  
Assistant Treasurer

**Morton W. Rimerman**  
Assistant Treasurer

## Board of Directors

**\*Gustave G. Amsterdam**  
Chairman of the Board,  
Bankers Securities  
Corporation

**\*George H. Brown, Jr.**  
Director, Girard Trust Bank

**†William T. Coleman, Jr.**  
Senior Partner, Dilworth,  
Paxson, Kalish, Levy  
& Coleman

**\*James L. Everett**  
President of the Company

**\*Robert F. Gilkeson**  
Chairman of the Board and  
Chief Executive Officer of  
the Company

**William W. Hagerty**  
President, Drexel University

**\*William G. Hamilton, Jr.**  
Chairman,  
American Meter Division  
of Singer Company

**Robert D. Harrison**  
President,  
John Wanamaker,  
Philadelphia

**Paul R. Kaiser**  
Chairman of the Board,  
Tasty Baking Company

**Vincent P. McDevitt**  
Former Senior Vice President  
of the Company

**John R. Park**  
President, Acme Markets, Inc.

**\*Roy G. Rincliffe**  
Chairman of the Executive  
Committee of the Company

\*Member of Executive Committee.

†Elected January 22, 1973.

## Fiscal Agents for Stocks and Bonds

PHILADELPHIA ELECTRIC COMPANY—Preferred and Common Stocks

Registrars  
**GIRARD BANK**  
One Girard Plaza, Philadelphia, Pa. 19101

**CHEMICAL BANK**  
20 Pine Street, New York, N.Y. 10015

Transfer Agents  
**PHILADELPHIA ELECTRIC COMPANY**  
2301 Market Street, Philadelphia, Pa. 19101

**MORGAN GUARANTY TRUST CO. of N.Y.**  
30 West Broadway, New York, N.Y. 10015

PHILADELPHIA ELECTRIC COMPANY—First and Refunding Mortgage Bonds

**PHILADELPHIA ELECTRIC POWER COMPANY (A Subsidiary)**—First Mortgage Bonds

Trustee  
**THE FIDELITY BANK**  
Broad & Walnut Streets, Philadelphia, Pa. 19109

New York Agent  
**MORGAN GUARANTY TRUST CO. of N.Y.**  
23 Wall Street, New York, N.Y. 10015

PHILADELPHIA ELECTRIC COMPANY—Sinking Fund Debentures

**PHILADELPHIA ELECTRIC POWER COMPANY (A Subsidiary)**—Sinking Fund Debentures

Trustee  
**THE PHILADELPHIA NATIONAL BANK**  
Broad & Chestnut Streets, Philadelphia, Pa. 19101

New York Agent  
**IRVING TRUST COMPANY**  
One Wall Street, New York, N.Y. 10015

All Philadelphia Electric Company securities, except the Sinking Fund Debentures and those series of First and Refunding Mortgage Bonds which were sold privately to institutional investors, are listed on the PBW Stock Exchange and the New York Stock Exchange. Philadelphia Electric Power Company Bonds and Debentures are listed on the PBW Stock Exchange.



## To Our Shareholders:

Earnings per share of common stock in 1972 were \$2.08, which was less than the \$2.10 earned in the previous year. Although total earnings of \$86,416,000 were \$8,112,000 better than in 1971, the number of outstanding shares increased by 11 percent, which caused the reduction in per share earnings.

Sales and revenue growth in 1972 did not reach our expectations primarily because of adverse weather, which held down air conditioning usage. Also, slower than anticipated economic recovery held down normal growth in sales to commercial and industrial customers. Damage to our facilities during Tropical Storm Agnes increased expenses by nearly \$2.5 million and penalized earnings by 2.8 cents a share.

Operating costs and capital investment continued to rise in 1972. Rate increases granted in 1971 helped to stabilize our return on

investment, although at a lower than satisfactory level. Because of continued higher operating costs and new plant placed in service, we requested additional rate increases for electric, gas, and steam service during 1972. These rate increases are discussed on the following page.

Looking ahead, we expect our electric energy sales in 1973 to return to their historical growth rate of 6 percent, compared with the increase of only 4.5 percent in 1972. Also in 1973, we expect to begin nuclear power generation on a commercial scale. The 1065-megawatt Peach Bottom nuclear unit No. 2, which is scheduled for service by the end of the year, will provide an important source of clean, reliable power.

Plant expansion and improvement will require expenditures of approximately \$3.2 billion in the next five years, compared with

\$1.5 billion during the past five years. A major portion of these outlays will be for nuclear generating stations and related high-voltage transmission ties. We are planning for 70 percent of our electric generation to come from nuclear power plants by the mid-1980's.

The management of your Company will continue to serve the public's increasing energy needs in the most reliable and economic way possible and with minimal impact on the environment. Although 1972 was not a favorable year, it was a test of our ability to meet the problems effectively, and your Company continued to grow, continued to expand, and continued to plan for the future. We look forward to continued growth in the years ahead with the prospect of improved business conditions, steady increase in the use of electric power, and improved financial results.

MARCH 5, 1973

*RF Gilkeson*

CHAIRMAN OF THE BOARD

*J. L. Everett*  
PRESIDENT



*Robert F. Gilkeson, chairman, and James L. Everett, president.*



## Financial Summary

Earnings per share in 1972 declined to \$2.08 from \$2.10 in the previous year due to an 11-percent increase in the average number of shares outstanding. Earnings applicable to common stock rose 10 percent to \$86 million.

Dividends paid on the common stock amounted to \$1.64 a share, 78 percent of which was not taxable for federal income tax purposes.

Total revenue rose to a new high of \$685 million, a 13-percent increase over 1971. This increase amounted to \$77 million, of which \$68 million came from electric operations, \$6 million from gas operations, and \$3 million from steam operations.

Operating and maintenance expenses, consisting primarily of fuel, labor, and materials, were up 13 percent, reflecting inflationary pressures and growth in the Company's business.

Investment in new facilities was a record \$400 million, which resulted in a 15-percent increase in total investment to \$2.6 billion. Outlays for the next five years are estimated at \$3.2 billion.

Long-term financing needs during 1972 were met by the sale of a \$75-million issue of 7.80% preferred stock, a \$100-million 7½% mortgage bond issue, \$94 million of common stock, and a \$40-million issue of industrial revenue bonds.

## Rate Increases

With costs to serve constantly increasing, Philadelphia Electric has been prompt in seeking rate increases for all of its services in order to offset higher costs and to maintain a fair return on its investment in plant and equipment.

In May 1972, the Maryland Public Service Commission permitted our subsidiary, Conowingo Power Company, to increase its electric rates by \$670,000, or 12 percent.

In June, the Pennsylvania Public Utility Commission (PUC) permitted us to increase steam rates by \$1.3 million, or 8 percent.

On July 14, we filed new tariffs with the PUC for all classes of electric service to increase revenues by approximately \$48 million a year, or 9 percent. Of the 9 percent requested, the PUC permitted 3 percent to become effective October 5 as an emergency increase, and suspended the balance pending an investigation, now under way, into the reasonableness of the entire increase requested.

On December 30, we were permitted by the PUC to put into effect a new clause in our gas tariff to provide for recovering the additional cost of substitute propane gas we must purchase because of the curtailed supply of natural gas.

On December 5, we filed for a general gas rate increase with the PUC amounting to \$12 million, or 13 percent. The increase became effective on February 15, 1973, subject to possible refund upon conclusion of the PUC's investigation into its reasonableness. This was the first general gas rate increase since 1953.

### Financial Facts in Brief

	1972	1971	Percent Increase or (Decrease)
Operating Revenue.....	\$685,038,516	\$608,134,427	12.6
Operating Expenses including Fuel, Maintenance, Depreciation, and Taxes.....	541,490,781	480,571,605	12.7
Operating Income.....	143,547,735	127,562,822	12.5
Other Income including Allowance for Funds Used during Construction.....	42,210,508	33,206,832	27.1
Income Before Interest Charges....	185,758,243	160,769,654	15.5
Interest Charges.....	77,784,306	67,145,293	15.8
Net Income.....	107,973,937	93,624,361	15.3
Dividends on Preferred Stock.....	21,558,389	15,320,054	40.7
Earnings Applicable to Common Stock.....	86,415,548	78,304,307	10.4
Dividends on Common Stock.....	67,735,082	60,689,456	11.6
Retained Earnings.....	\$ 18,680,466	\$ 17,614,851	—
Shares of Common Stock—Average	41,505,013	37,322,917	11.2
Earnings Per Average Share.....	\$2.08	\$2.10	(1.0)
Dividends Paid Per Share.....	\$1.64	\$1.64	—



# PE Customers Will Foot Bill for Cleaning Up Air

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City Urges  
Rejection  
Of Electric  
Rate Hike

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it," said George

## \$99.6 Million Electric Rate Boost Called "Unjust" by City Aide

### PE Rate Increase Questioned

PE Rate Rise  
Would Boost  
Apartment Rents,  
PUC Told

PE Rate Rise  
Would Boost  
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crease will affect the transit  
and commuter operations ad-  
versely.

Other opponents of the hike

## Do you read beyond the headlines?

Look at the news headlines above—there's not a complimentary one among them.

Look at them. Do they reflect the policy or philosophy of Philadelphia Electric? Nothing of the sort—because headlines never really tell the story. Somewhere in the text, far below the headline, the other side of the story may be told. Unfortunately, the majority of readers don't read beyond the headline.

Do we really need rate increases? Do we need to recover costs of premium-priced fuels? Are we asking our customers for more money just to fatten our purses?

### Costs of living up

Look at your own costs of living over the past few years. What hasn't gone up? Everything costs more today—food, clothing, automobiles, transportation, recreation, rents, appliances, liquor, taxes—the list goes on and on, and up and up.

The same thing has happened to the cost of generating electricity. One difference is that where your costs have gone up a few cents an item, our costs have gone up by millions of dollars.

The costs for construction, for example, have doubled in the last five years. Fuel prices have jumped 100 percent in just three years due to the use of premium-priced low-

sulfur oil to conform with air pollution control standards. Taxes in four years have doubled. The average interest rate on our outstanding bonds and preferred stock has risen from 3.8 percent in 1966 to more than 6 percent in 1972.

### Building costs up

Construction expenditures in 1972 were at a record high. In the next five years Philadelphia Electric has scheduled outlays of over \$3 billion. Write it out, and it looks like this: \$3,000,000,000. That's more than a lot of money. It's an enormous amount of money. It's money that has to be raised in the financial market—at high rates of interest.

This tremendous sum is for construction, expansion, and improvement of the Company's facilities. It is for the generating equipment, the substations, the transmission lines needed to take care of the added requirements the public demands. This money has nothing to do with the cost of operating our business—generating the power, getting it to the customers, billing, salaries, and the office work necessary from day to day.

This is where our rates come in. The bills the customers pay go toward operating expenses, plus paying the high interest rates and the added cost of premium-priced fuels. So, when all operating costs to the Company go up, the bills to customers must go up.

As a matter of fact, our ability to borrow the huge sums of money we need for our expansion program depends largely upon our earnings from the sale of electricity. To keep earnings at the proper level, our rates must be adjusted accordingly. This is another fact the headlines neglect to convey.

### Rates are up

The headlines say: Rates are up! But the story is far from told. There's nothing about the convenience and service the customer gets for his money. Nothing about the relation of the bill to the amount of increased usage by the customer. No mention that the average electric bill is a small percentage of the consumer's total budget. No word that in the face of sharply rising costs, the kilowatt-hour cost has risen less than other products and the general cost of living.

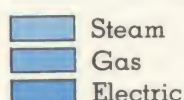
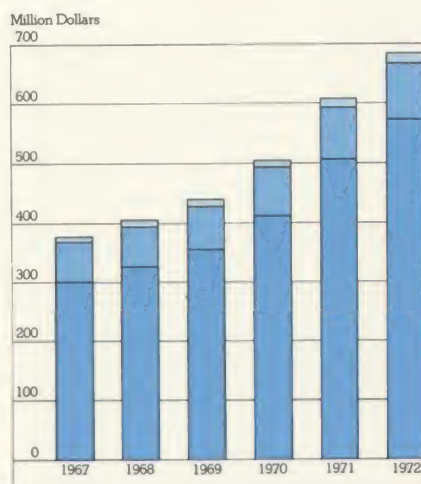
No. The headlines fail to mention these significant items.

One more thing the headlines fail to spell out. The average person today is buying more electricity than last year, more than the year before, and more than the year before that. It boils down to this: we must be doing *something* right.

It is our conviction that we are doing *a great many things* right—and it is our intention to continue doing so—regardless of and despite the headlines.



## Operating Revenue

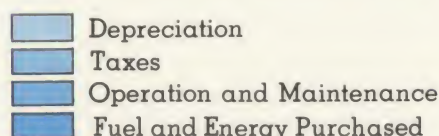
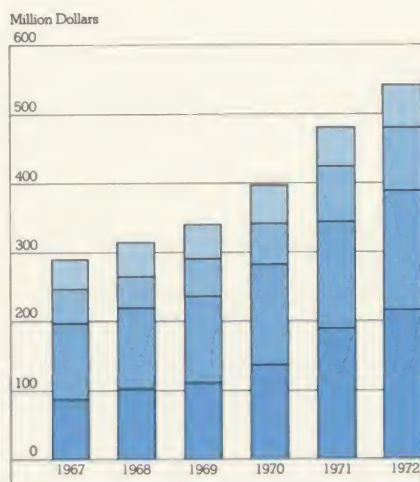


Operating revenue increased \$77 million over 1971 to a record \$685 million. Approximately \$57 million of this increase was attributable to rate increases authorized in 1971 and 1972, and the remainder was the result of increased sales.

	Revenue	
Electric	\$575 million	up 13%
Gas	93 million	up 7%
Steam	17 million	up 22%
	<u>\$685 million</u>	<u>up 13%</u>

All services posted gains in energy sales during 1972. Electric sales were up 4.5 percent, gas sales 2.5 percent, and steam sales 1.3 percent. These increases, however, were below expectations because of slower recovery than anticipated in business conditions, and adverse weather conditions which held down air conditioning usage.

## Operating Expenses



Operating expenses increased 13 percent to \$541 million due to growth in business and higher costs of materials and supplies, taxes, wages, and other expenses.

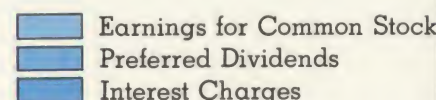
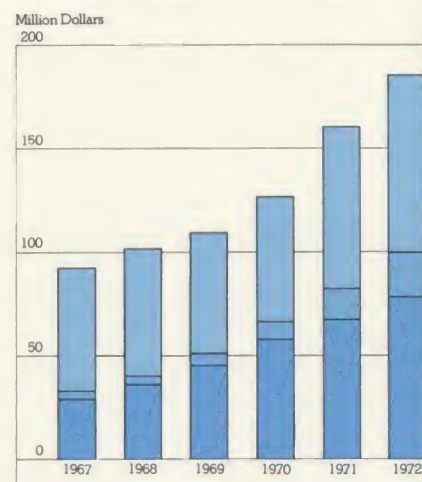
Electric fuel expenses, accounting for more than half of operation and maintenance expense, increased \$15 million, or 10 percent, reflecting the higher cost of low-sulfur oil used to meet environmental regulations, and increased sales. Our cost of natural gas supplied to customers increased \$7 million, or 22 percent, primarily because of higher prices paid to our suppliers.

As a result of heavy rainfall, hydro generation at Conowingo station in 1972 was a record 2.2 billion kilowatt-hours, 32 percent above normal and 29 percent above 1971. The increase over last year accounted for fuel savings of approximately \$3.8 million.

Total taxes amounted to \$94 million, up \$13 million over the previous year. Of the total amount, \$35 million were federal, \$56 million were state, and \$3 million local.

As a result of additional plant in service, depreciation charges were increased \$5 million, 8 percent above 1971.

## Income Before Interest Charges



Interest charges and preferred dividends increased 20 percent, reflecting the high cost of new capital as well as the large amount of new financing required by our continuing construction program.

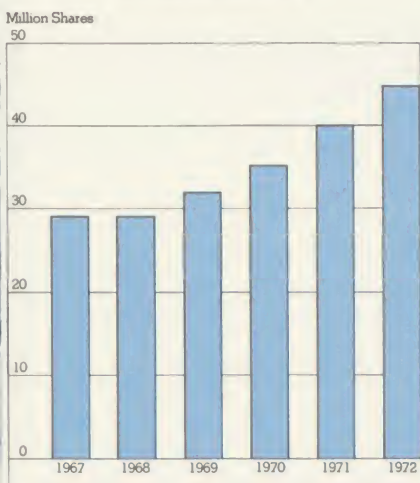
A \$75-million issue of 7.80% preferred stock sold in April, and the full-year effect of the two preferred stock issues sold in 1971 raised total preferred dividend charges to \$22 million.

A \$100-million, 7½% mortgage bond issue sold in June, and the full-year effect of the two mortgage bond issues sold in 1971 increased total interest charges to \$78 million.

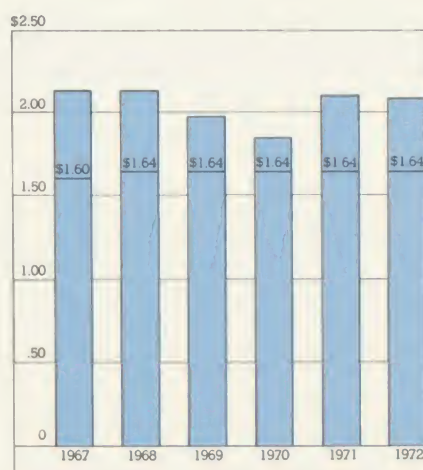
Earnings available for common stock were \$86 million, a 10-percent increase over 1971.



## Common Stock Outstanding

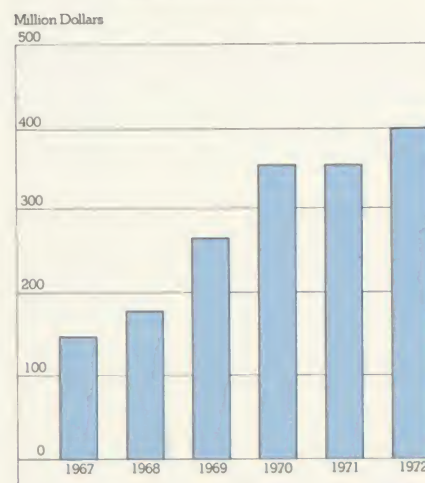


## Earnings Per Share



■ Earnings Per Share  
— Dividends Paid Per Share

## Construction Expenditures



As part of construction financing, the Company has issued 15.7 million new shares of common stock since 1968, 4.6 million shares of which were issued in 1972. These new common shares, together with new preferred stock sold, provide the equity capital needed to maintain the high quality of our bonds. They were issued as part of a program to reduce our debt ratio and strengthen our equity position to provide a sound and conservative financial foundation as we move through the 1970's.

Earnings per share in 1972 declined to \$2.08 from \$2.10 in the previous year, primarily because of higher capital charges on our rapidly growing investment and cooler summer temperatures which held down air conditioning usage.

Dividends paid were \$1.64 per share, representing a 79-percent payout of the \$2.08 earned in 1972. A portion of the dividends paid, 78 percent, represented a return of capital to shareholders for federal income tax purposes and was, therefore, not taxable as ordinary income. The Tax Reform Act of 1969 changed the method of determining taxability of dividends for federal income tax purposes. Consequently, in 1973 the portion of dividends nontaxable will be substantially reduced, and may be eliminated entirely in succeeding years.

Construction expenditures for new facilities were a record \$400 million in 1972. Of this amount, \$362 million was invested in the electric system, \$23 million in the gas system, \$2 million in the steam system, and \$13 million in common facilities. Our total investment in facilities, less depreciation reserve, is now \$2.6 billion and is expected to nearly double by 1977. Our construction program calls for the continuation of substantial investment in new plant, with expenditures of \$523 million planned for 1973. It is expected that expenditures in the coming five years, 1973-1977, will total approximately \$3.2 billion, compared with \$1.5 billion spent in the past five years.



## Financing

During 1972, four security issues, totaling \$307.6 million, were sold.

### APRIL

#### Preferred Stock,

7.80% series, 750,000 shares  
(at par).....\$75 million

### JUNE

#### Mortgage Bonds,

7½% series, due 1998  
(7.5 percent interest cost to  
the Company).....\$100 million

### SEPTEMBER

#### Common Stock,

4,520,000 shares sold  
through subscription rights  
at \$20.50 per share.....\$92.6 million

### NOVEMBER

#### Industrial Revenue Bonds,

average interest rate of  
5.5 percent, average  
maturity of 16 years.....\$40 million

In addition, \$1.6 million was raised through our employee stock purchase plan.

The common stock offering, which included a supplemental subscription privilege, was oversubscribed. As a result, subscribers under the supplemental subscription privilege received approximately 39 percent of the shares they subscribed for under the privilege.

The \$40 million of industrial revenue bonds were issued by the Delaware County Industrial Development Authority to finance pollution abatement projects and were secured by Philadelphia Electric Company notes.

Internally generated funds, totaling \$88 million, were provided mainly through depreciation, retained earnings, and deferred taxes.

Financing for 1973 began on January 22 with the sale of \$100 million of 7½% mortgage bonds, maturing in 26 years, at a net interest cost of 7.53 percent. Present plans for the remainder of 1973 call for the sale of additional issues of mortgage bonds, preferred stock, common stock, and industrial revenue bonds.

## Commercial Operations

In 1972, marketing functions were realigned and reoriented within the framework of commercial operations with continuing emphasis on customer service. Simplified organization enabled us to arrange more effectively for the installation of new facilities for customers, to assist them to make most efficient use of our energy services, and to respond to the wide variety of requests we receive for information about anything from a home appliance to an energy system for a skyscraper. In keeping with the growing awareness that electricity is a valuable resource, commercial advertising was limited to suggesting ways to use energy wisely.

### Electricity

The popularity of electric space heating continues to grow. During the year, 3600 electrically heated dwelling units were added to our lines and commitments were received for the future installation of electric heat in an additional 7900 new homes and apartments. Total commitments received in 1972 for residential, commercial, and industrial space heating amounted to 128,000 kilowatts, representing nearly \$4 million in annual revenue. The sale of this energy permits us to make desirable use of our existing generating capacity during off-peak periods.

Power requirements are accelerating in the increasingly important field of environmental protection. "Environmental" energy sales for pollution control, waste recycling, sewage treatment, and mass transit now account for an estimated 7 percent of our total kilowatt-hour sales and are expected to double in the next five years. Almost every step taken by industry to control its environmental impact or to recycle materials calls for additional electric energy.

The use of electric furnaces is growing in the steel industry. These are the cleanest furnaces available from an environmental standpoint and, moreover, are capable of operation with charges predominantly composed of reclaimed metal. One steel company in our territory has two new 200-ton electric furnaces scheduled for production early in 1973, and another major producer plans to install a 150-ton electric furnace for production in 1974.

### Gas and Steam

As a result of the nationwide natural gas shortage and an order by the Pennsylvania Public Utility Commission restricting new gas sales, we were unable to accept any applications for new or additional gas loads after February 15, 1972. Consequently, installation of residential gas heat in 1972 was limited to 9500 dwelling units committed prior to that date.

Many builders, unable to obtain gas for residential developments, are turning to electric space heating. The impact of this transition and the effect of a similar trend in commercial construction will be felt in 1973 and 1974. Sixty-two percent of all new dwelling units built in our service area in 1972 use our gas or electricity for heating.

Our central steam system continues to grow in pace with the development of downtown Philadelphia. New contracts signed in 1972 included one for a large office building, converting from oil heat, and two for new skyscrapers. Ninety percent of the commercial and governmental space in center city is heated with Philadelphia Electric steam. We are actively seeking new steam air conditioning customers to balance our winter steam heating peak loads.





*Blair Mill Village in Horsham Township typifies rapid growth of new communities in Philadelphia Electric's service area.*



*Blue Bell office campus in Whitpain Township marks trend toward business-oriented office centers in suburban surroundings.*

*All-electric apartment and town house development at Meadowbrook uses Philadelphia Electric energy exclusively.*



## Area Development

Demand for industrial space is strong in Philadelphia Electric's 2475-square-mile territory, hub of the rich northeastern corridor extending from Boston to the nation's capital.

During 1972, our area development specialists worked with 43 companies which established new or branch plants here, and with 85 companies which relocated or expanded their existing facilities. Real estate developers, recognizing the demand for industrial space, are investing large sums in a growing number of industrial projects.

A construction revolution is under way in Philadelphia. Many older center-city buildings are being replaced by new office and residential skyscrapers. Elsewhere in the city, 1000 acres of municipally-owned land are being made available for industrial development. Recent census figures show that in the decade of the 1960's the population of our territory in the suburban counties outside Philadelphia rose 21 percent, compared with a 13-percent increase for the nation as a whole.



## Electric Generating Capacity

As of December 31, 1972

Generating Stations	Net Installed Capacity (Kilowatts)
<b>P.E. Owned</b>	
Barbadoes.....	229,700
Chester.....	336,200
Conowingo (Hydro).....	512,000
Cromby.....	368,700
Delaware.....	427,000
Eddystone.....	765,400
Muddy Run (Pumped-Storage).....	880,000
Peach Bottom (Nuclear).....	40,000
Richmond.....	1,018,700
Schuylkill.....	360,300
Southwark.....	461,800
Falls Substation.....	68,100
Moser Substation.....	68,100
Plymouth Meeting Substation.....	94,000
<b>Jointly Owned (P.E. Portion)</b>	
Conemaugh.....	354,300
Keystone.....	346,300
Salem.....	17,000
<b>Total in Service.....</b>	<b>6,347,600</b>

### AUTHORIZED ADDITIONS

<b>P.E. Owned</b>	
Richmond.....	174,000
Croydon.....	800,000
Unassigned.....	600,000
Eddystone.....	800,000
Limerick (Nuclear).....	2,110,000
Unassigned (Nuclear).....	2,320,000
<b>Jointly Owned (P.E. Portion)</b>	
Peach Bottom (Nuclear).....	905,000
Salem (Nuclear).....	938,000
<b>Total Authorized.....</b>	<b>8,647,000</b>

Electric energy sales totaled 25 billion kilowatt-hours in 1972, an increase of 4.5 percent over 1971. A new hourly peak demand of 5.3 million kilowatts was met on July 20, which exceeded the previous year's high by 8 percent. On the same day, a new peak demand of nearly 28 million kilowatts was supplied by the Pennsylvania-New Jersey-Maryland Interconnection of which Philadelphia Electric is a member. This new peak was 9 percent above the previous high recorded in 1971.

## Generating Capacity

Eleven additional combustion turbines were ordered in 1972. Three of these units are of conventional design and are scheduled for service at Richmond generating station early in 1973. The other eight units, which are scheduled for operation early in 1974 at a site in Croydon, Bucks County, will be of advanced design and will recover a portion of the heat normally discharged to the atmosphere for a 16-percent reduction in fuel use. These additions will increase the number of combustion turbine units on our system to 55 with a total generating capacity of 1.7 million kilowatts.

Construction of two new 400,000-

## Electric

kilowatt generating units is moving ahead at Eddystone station, the first scheduled for service in the spring of 1974, the second early in 1975. Both will burn either low sulfur residual or crude oil and fully comply with stringent air quality regulations.

## New Transmission Line

A new 500,000-volt transmission line between our Whitpain substation and Public Service Electric and Gas Company's Branchburg substation in New Jersey was energized early in 1972. This important connection was needed to improve the reliability of the transmission systems of Philadelphia Electric and the Pennsylvania-New Jersey-Maryland Interconnection and to assure delivery of our share of the power output of the Keystone and Conemaugh mine-mouth generating stations in western Pennsylvania.

During construction of this line, we worked closely with the National Park Service, the Pennsylvania Public Utility Commission, the Delaware River Basin Commission and local government officials to insure that the line would be installed with minimum impact on the environment through careful routing, selective tree trimming



## Operations

and use of ornamental structures. With the increasing difficulty of obtaining aerial rights of way, we are discussing the routing of necessary transmission lines with local government bodies well in advance of required service dates with the hope that open discussion will result in more acceptable routing and avoid delays stemming from public opposition.

### General Meter Shop

The recent establishment of a new general meter shop near the geographical center of our territory at King of Prussia permitted us to design a production-type facility for calibrating and reconditioning electric and gas meters at one location. Automated equipment, precision testing devices, and modern storage and shipping techniques have already resulted in significant savings in manpower and costs.

### Flood Damage

Tropical Storm Agnes in late June caused severe flooding in some areas of our service territory. Conowingo and Muddy Run hydro stations on the Susquehanna River and Cromby and Barbadoes steam stations on the Schuylkill River were taken out of service to prevent major damage by the flood-

waters. Electricity generated by other stations on our system was sufficient to supply the needs of our customers. However, substations at Pottstown and Conshohocken were put out of service when the waters reached an all-time high, which affected service to some customers in those areas. Units at Conowingo were out of service until repairs to the water intake compartments were completed. One unit at Barbadoes, scheduled for retirement, was not repaired. The cost of repairs to damaged facilities was approximately \$2.5 million.

### Air Quality Control

Our expanding use of low-sulfur oil was accelerated in 1972 in keeping with our efforts to supply electrical energy with minimum effect on the environment. All fuel oil deliveries after July 31 had a sulfur content of 0.5 percent or less to comply with new municipal and state regulations. Major generating units at Delaware and Richmond stations were converted to burn low-sulfur crude oil, which is more plentiful and less expensive than residual oil.

*Experimental equipment installed at Cromby generating station for research in combating air pollution.*





## Nuclear Power

The prototype high temperature gas-cooled reactor (HTGR) at our Peach Bottom atomic power station continues to operate very dependably since it was first placed in commercial operation in 1967. Total generation of electricity by the small 40,000-kilowatt unit was approximately 1 billion kilowatt-hours by the end of 1972. Because it has successfully served its purpose of demonstrating the feasibility of developing HTGR units of large size, several are on order.

### New Units at Peach Bottom

Construction of two additional nuclear units at Peach Bottom moved ahead in 1972 to the extent that by year-end unit No. 2 was 95 percent complete, with commercial operation planned for the fall of 1973. Operation of unit No. 3, which was 60 percent complete, is scheduled for the fall of 1974.

Each of these units will have a General Electric boiling water reactor and turbine-generator rated at more than 1 million kilowatts. The application for an operating license, submitted to the Atomic Energy Commission in August 1970, is in the process of review.

The AEC issued a safety evaluation report in August 1972 and a draft environmental statement in October 1972. It is expected that the AEC will issue the final environmental statement in the first quarter of 1973.

Philadelphia Electric will have an approximate 42-percent interest in the ownership and output of these units and will be solely responsible for their operation. Public Service Electric and Gas Company of

New Jersey, Atlantic City Electric Company, and Delmarva Power & Light Company will share the remaining ownership and output.

### Salem Nuclear Station

A similar ownership interest is held by Philadelphia Electric in the Salem nuclear generating station currently under construction on the Delaware River near Salem, New Jersey, by the same group of utilities. The plant will have two Westinghouse pressurized water reactors and generators rated at approximately 1,100,000 kilowatts each, the first unit scheduled for commercial use by the summer of 1975, the second a year later. Public Service will operate the plant.

### Limerick Nuclear Station

In February 1970, we applied to the Atomic Energy Commission for a construction permit to build a nuclear power plant on the Schuylkill River, in Limerick Township, near Pottstown, Pa. Because of substantial changes in AEC regulations and prolonged public hearings, the AEC review of the construction permit application proceedings is not expected to be completed until the latter part of 1973. As a result of this extreme delay and delays in obtaining water, preliminary site preparation work, consisting of clearing, excavation, and grading, has been suspended since January 1972.

Public hearings were held on the radiological health and safety aspects of the plant during the spring, summer, and fall of 1972, and environmental aspects are expected to be covered when the hearings reopen in 1973. A draft environ-

mental statement for the project was issued by the AEC in December 1972. In the meantime, we have requested AEC permission to commence certain construction work at the plant site prior to the issuance of a construction permit.

Two General Electric boiling water reactors and associated turbine-generators, each with a capacity of more than 1 million kilowatts, have been purchased for the plant. They are essentially duplicates of the nuclear units being installed at Peach Bottom. Operation of the first unit is tentatively scheduled for 1978, the second for 1980.

### HTGR Nuclear Station

Engineering went forward in 1972 for the high temperature gas-cooled reactor plant we plan to have ready for operation in 1981 at a location yet to be determined. This 2.3-million-kilowatt station, using two HTGR units, is expected to have the highest operating efficiency of any large commercial nuclear plant in the world. Peach Bottom unit No. 1 was the prototype of today's full-scale HTGR units.

The HTGR system, which has been developed by Gulf General Atomic Company, has strong environmental advantages in that it produces a low heat discharge comparable to the most efficient fossil plant available today. Moreover, the station will have cooling towers which will further protect the environment from waste heat discharge. Current evaluations indicate the new station will generate electric energy at lower net cost than any other means now commercially available.



## Gas Operations

With supplies severely limited by the national gas shortage and as a result of the restriction placed by the Pennsylvania Public Utility Commission on the acceptance of new gas loads, gas sales showed only a small increase of 2.5 percent to 70 billion cubic feet in 1972. The record daily sendout for the year, which occurred on January 16, was 390 million cubic feet, just below the all-time high of 396 million cubic feet recorded in 1971.

Despite curtailment of 8 percent in our 1972 contracts with gas pipeline companies, we are supplying the full requirements of all firm contract customers. Our ability to meet this demand is primarily due to the completion in 1972 of our new liquefied natural gas plant at West Conshohocken, which will provide an estimated 790 million cubic feet of peak load gas during the 1972-1973 heating season. This plant eventually will store up to 1.2 billion cubic feet of natural gas and is capable of providing up to 200 million cubic feet of gas a day during periods of peak demand. Substantial quantities of propane have also been purchased to help supplement the pipeline supply. We are actively investigating alternative sources of gas supply, such as the conversion of naphtha and other petroleum products to gas, the importation of liquefied natural gas, and the manufacture of gas from coal.



## Steam Service

Steam sales increased 1.3 percent to 8.3 billion pounds in 1972. The maximum hourly sendout for the year was 2.5 million pounds on January 17, down from the record sendout of 2.7 million pounds an hour set in 1971 during colder weather.

A new 600,000-pound-per-hour boiler at Schuylkill electric generating station is being completed for service early in 1973. Operating economies will be realized from using the output of this boiler for generating electricity as well as for steam service.

Top  
*Storage tanks at West Conshohocken provide reserve gas supplies to meet cold weather demands.*

Left  
*Servicing gas meters is streamlined to promote economies at new general meter shop in King of Prussia.*



## New Construction Moves Ahead at Eddystone to Improve and Increase Power Supply

Top Right  
*Massive concrete base is poured to support turbine for new oil-fired generating unit.*

Bottom Right  
*New pollution control equipment is added to existing coal-fired generating unit to further improve air quality.*

### Research Programs

We are stepping up our annual research and development expenditures from approximately \$3 million in 1972 to an anticipated \$4.4 million in 1973, including a substantial commitment to the development of the liquid metal fast breeder reactor. This advanced reactor when fully developed will greatly extend the supply of fuels for fission reactors and will have substantially improved efficiency compared with present-day nuclear plants. We are also supporting the development of the gas-cooled fast breeder reactor as an alternate approach to an efficient fuel-producing nuclear plant.

#### Fuel Cells

We are participating with a number of other utilities and the Edison Electric Institute in a major program to develop a fuel cell for electric utility application. The fuel cell, which provided power to the Apollo spacecrafts during flights to the moon, combines hydrogen and oxygen to produce electricity at high efficiency. Its only effluents are pure water and carbon dioxide. The development of a successful fuel cell for use by electric utilities would offer the additional advantage of locating a portion of the generation facilities in the immediate vicinity of major

load centers, thereby reducing some of the need for costly facilities for power transmission.

#### Fusion

Controlled thermonuclear reaction, or fusion, is a new potential source of energy receiving much attention. Harnessing fusion, the reaction that sustains the sun and the stars, would provide a virtually inexhaustible fuel supply, together with the possibility of converting energy at very high efficiency. Through the Edison Electric Institute, we are supporting fusion research programs at Cornell University, the University of Texas, and the Princeton Plasma Physics Laboratory.

#### Flue Gas Research

We are pursuing the development of two different systems for removing sulfur oxides from flue gas. One is located at our Cromby generating station, and a second research project has been initiated at our Eddystone generating station, both aimed at removing sulfur oxides and particulates from coal-fired boiler flue gas. If these projects prove successful, large reserves of high-sulfur coal could be used for power generation with minimum impact on the environment.



*Water discharged from our generating stations is constantly checked to protect the streams in our service area.*







County

Bucks County

NEW JERSEY

Camp Delmont

State Forest Land

New Hope

State Game Land

DOYLESTOWN

Montgomery County

Audubon Shrine

NORRISTOWN

Washington Crossing State Park

Valley Forge State Park

Lorimer Park

Fairmount Park

PHILADELPHIA

Philadelphia Zoo

Springton Reservoir

MEDIA

Delaware County

Brandywine Battlefield State Park

Tinicum Wildlife Preserve

Veterans Stadium

Delaware River

NEW JERSEY





## Map of the Territory Served by the Philadelphia Electric Company System

The 2475-square-mile territory served by the Philadelphia Electric Company System abounds with pleasant settings for hiking, camping, fishing, boating, picnicking, and a host of other outdoor activities. Not least among the area's diversity of recreational resources are its many national, state, county, and municipal parks.

The Company and its subsidiaries supply electric service in an area of 2340 square miles in southeastern Pennsylvania and northern Maryland, 95 percent of which is in the counties around Philadelphia and 5 percent in the City of Philadelphia. Natural gas is supplied in a 1475-square-mile area adjacent to, but not in, Philadelphia. Steam heating service is supplied in the central part of the City.



PENNSYLVANIA

Lancaster County

Muddy Run  
Recreation  
Park

Peach  
Bottom  
Information  
Center

Deer Creek State Park

Conowingo  
Fishermen

Camp Horseshoe

Elk Neck  
State Forest

Cecil  
County

ELKTON

Elk Neck  
State Park

Camp  
Indian Run

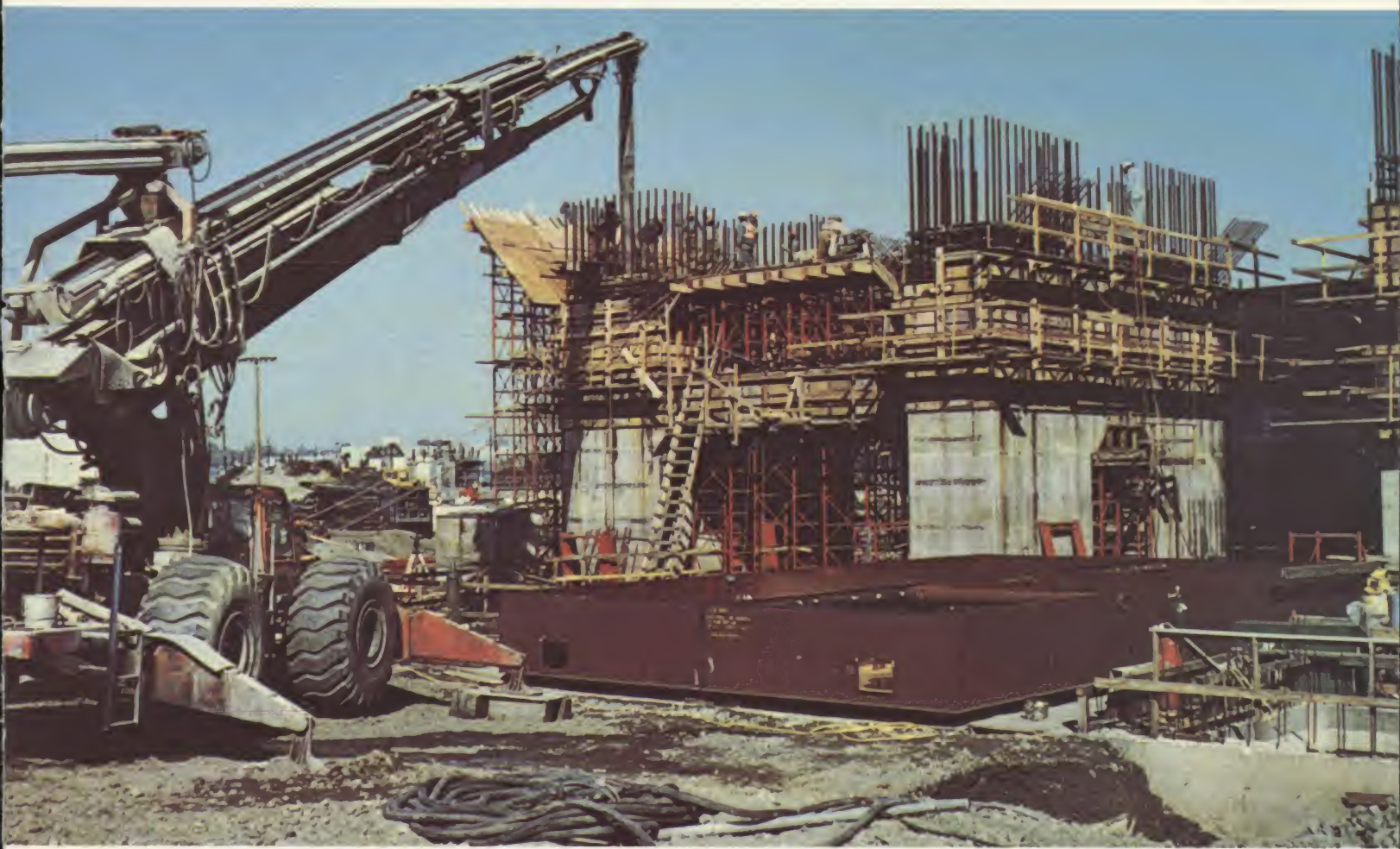
Chester County

Longwood  
Gardens

DELAWARE

MARYLAND







# New Buildings Reflect Quickening Pace of Urban Renewal in Center-City Philadelphia

Far Left  
Bank, motel, and office building line  
West Market Street.

Top  
Office buildings on Independence  
Mall East.

Center  
New United States Court House and  
Federal Building on Independence  
Mall West.

Bottom  
Construction of Centre Square office  
skyscraper on West Market Street near  
City Hall.

## Information Programs

To develop better public understanding of our operations, a 13-week series of television commercials was shown in the spring and repeated in the fall of 1972. The series discussed honestly and openly some of the challenging operating problems we face and what we are doing to solve them. The commercials included frank criticisms of the Company by customers as well as constructive answers to questions most frequently asked about our operations.

Reaction to the campaign was extremely favorable. An independent opinion research organization reported the hard-hitting commercials were outstandingly effective in creating a better public attitude

toward the Company. A follow-up program is in preparation for use in 1973.

### Speakers Bureau

Through a recently organized women's branch of our speakers bureau, qualified female employees of the Company join an experienced group of men who meet and talk with various groups and organizations on subjects dealing with Company aims and accomplishments, and on timely public service topics. The bureau's expanded lecture program is designed to present in easy, non-technical ways helpful information on ecology, the environment, atomic energy, safety, and hints of consumer interest for the home.

### Information Centers

Our two atomic information centers—one permanently located at Peach Bottom and the other a mobile unit open to the public on a rotating schedule at population centers in Montgomery and Chester Counties—continue to attract thousands of visitors. "Atomic Energy, The Key to Your Future," a lecture-demonstration program, continues to be a popular educational presentation in the schools of our service area.



Young visitors explore exhibits in one of Philadelphia Electric's atomic information centers.



## Power and Environment

We are committed to meeting the energy needs of our customers and, at the same time, to protecting the quality of our environment to the limits permitted by current technology. We will, therefore, do our utmost to minimize the environmental impact of all new installations and continue to improve the performance of our existing facilities. From a technological standpoint, we can build any kind of power plant. However, our objective is to build plants that will best serve our customers.

### Nuclear Power

We know, not just from the record of the electric utility industry, but from our more than twenty years of first-hand experience, that nuclear power is safe, clean, economical, and reliable. That is why we have selected nuclear power for our next generation of power plants.

Nuclear generation is not without its critics. Although their number is small and their claims are refuted by the preponderance of technical expertise and experience, these critics seem to have no difficulty spreading their prophecies of disaster.

It is a fact, however, that the safety

of nuclear power operations has been established in the judgment of the large majority of knowledgeable scientists and engineers, and by the Atomic Energy Commission, which is responsible for assuring that plants are designed, constructed, and operated safely. The safety of nuclear power has also been demonstrated by the excellent operating record of nuclear power plants both here and abroad. Civilian and naval nuclear power plants have recorded over 1000 reactor years of operating experience without a single injury or fatality attributable to the nuclear nature of the plants.

### Construction Delays

In spite of the importance of electric power to the nation's well-being, we, and electric utilities in general, face unknown delays in the service dates for new plants. Both fossil-fuel-fired and nuclear plants are being delayed for months and even years by a proliferation of new laws, new regulations, and new agencies requiring the filing and review of voluminous information relating to the environment, despite the fact that our Company's new facilities are designed to meet or exceed every new environmental criterion or requirement.

We are just as concerned about the environment as the agencies that regulate us. What we seek are reasonable standards and a prompt review so that we can meet all regulatory requirements without delay.

### Water Quality

Maintaining and improving water quality in the streams of our service area is our continuing concern. The design of new waste water treatment systems for Delaware and Eddystone stations is nearing completion and the installation of additional facilities to supplement purification systems presently in use at other locations is under study.





In connection with the operation of our Muddy Run pumped-storage plant and the construction of the new nuclear units at Peach Bottom, an ecological study of the Susquehanna River has been under way for some time by Ichthyological Associates under the direction of Dr. Edward C. Raney, former professor of Zoology at Cornell University. As a result of this and other studies and a similar ecological analysis of the Schuylkill River in the vicinity of the Limerick nuclear generating station site, water cooling towers will be used at both Peach Bottom and Limerick to assure operation with no harmful effects on the aquatic environment.

Laboratory technician identifies organisms collected in connection with Susquehanna River ecological study.

## Power and Recreation

A portion of the main reservoir at our Muddy Run pumped-storage plant was opened for fishing in 1972, adding to the already extensive opportunities for fishing adjacent to the plant. The recreation park at the upper end of the reservoir has provided an ideal setting for family camping, fishing, boating, and picnicking since it was opened in 1969. Its facilities include 164 campsites for tents and trailers, a picnic area with 250 tables, play areas, and boats for use on the 100-acre recreational lake. Appropriate charges are made to provide for operating expenses.

Our Conowingo fishermen's park,

twelve miles below Muddy Run at Conowingo Dam, is another popular recreational spot on the Susquehanna River visited by thousands of fishermen and their families each year. Its attractive split-level pavilion overlooking the tailrace area below the powerhouse has food-vending machines, outlets for electric cooking, modern restrooms, and heat lamps for cold weather comfort.

The promotion of outdoor recreation at our hydroelectric properties on the Susquehanna is in keeping with our longstanding policy of developing the full recreational potential of Conowingo Lake for the enjoyment of the public.



"Opening day" for Conowingo fishermen.



## People Are Important at Philadelphia Electric

*Employees combine a wide diversity of skills to serve more than 1,490,000 customers.*



Above  
*High school students work and learn in Company-sponsored motivational training program.*

Top Left  
*Nuclear plant operators.*

Center Left  
*Gas plant foreman.*

Bottom Left  
*Linemen.*





## Management and Personnel

Roy G. Rincliffe, chairman of the executive committee since 1963, has voluntarily withheld his name from nomination for re-election to the board of directors. Mr. Rincliffe began his career with Philadelphia Electric in 1923 and rose through the ranks to become president in 1952. He served as chairman of the board from 1962 until his retirement in 1969. Active in civic and business affairs, and an ardent worker and booster for the welfare and improvement of Philadelphia, Mr. Rincliffe was nationally known for his advancement of the art of steam generation at the Company's Eddystone station, and for leading Philadelphia Electric into the nuclear era with the building of the Peach Bottom atomic power station, a pioneer project in the nation's nuclear power program.

On April 1, 1972, J. Henry Long, senior vice president and former vice president of gas operations, retired after 45 years of service with the Company. During his long career, Mr. Long was widely

known for his leadership in the gas utility industry.

On January 22, 1973, at a regular meeting of the board, William T. Coleman, Jr., senior partner in the Philadelphia law firm of Dilworth, Paxson, Kalish, Levy & Coleman, was elected a director.

People are important at Philadelphia Electric and its successful operation stems largely from the loyalty and competence of its more than 10,400 employees.

In addition to being an equal opportunity employer, the Company sponsors many programs beneficial to minority groups, including several designed to prepare disadvantaged persons for employment. Its longstanding policy has been to recruit, hire, and consider for promotion qualified employees for all job classifications without regard to race, color, religion, sex, or national origin. Twenty-eight percent of our new employees hired during 1972 were from minority groups, which compared favorably with the 20-percent minority population in our service area.



Above  
computer operator.  
Left  
customers service representatives.



Right  
System planners.

Far Right  
Secretary.





Philadelphia Electric Company and Subsidiary Companies

Consolidated Statement of Changes in Financial Position

	For the Year Ended December 31	
	1972	1971
	(Thousands of Dollars)	
Source of Funds		
Net Income.....	\$107,974	\$ 93,624
Charges to Income Not Affecting Funds		
Depreciation.....	60,515	55,937
Deferred Income Taxes.....	7,306	3,947
Investment Tax Credit Adjustments, net..	1,870	569
Funds Provided from Operations	177,665	154,077
Sale of:		
Long-Term Debt.....	140,000	160,000
Preferred Stock.....	75,000	70,000
Common Stock.....	94,284	103,297
Increase (Decrease) in Notes Payable, net..	54,543	(26,247)
Refund of Income Taxes—Prior Years.....	—	5,763
<b>Total</b>	<u>\$541,492</u>	<u>\$466,890</u>
Use of Funds		
Additions to Utility Plant.....	\$399,676	\$351,514
Dividends on Common Stock.....	67,735	60,689
Dividends on Preferred Stock.....	21,558	15,320
Retirement of Long-Term Debt.....	18,130	34,838
Pollution Control Funds Held by Trustee....	38,002	—
Increase (Decrease) in Working Capital†..	(508)	633
Other, net.....	(3,101)	3,896
<b>Total</b>	<u>\$541,492</u>	<u>\$466,890</u>
†Increase (Decrease) in Components of Working Capital (Excluding Notes Payable and Pollution Control Funds Held by Trustee)		
Accounts Receivable.....	\$ 9,194	\$ 12,070
Accounts Payable and Dividends Declared..	(8,827)	1,947
Taxes Accrued.....	3,876	(12,882)
Other, net.....	(4,751)	(502)
<b>Total</b>	<u>\$ (508)</u>	<u>\$ 633</u>

The notes and schedules to financial statements are an integral part of this statement.



Philadelphia Electric Company and Subsidiary Companies

Consolidated Statement of Income

	For the Year Ended December 31	
	1972	1971
	(Thousands of Dollars)	
<b>Operating Revenue</b>		
Electric.....	\$574,431	\$506,670
Gas.....	93,286	87,290
Steam.....	17,321	14,174
<b>Total Operating Revenue</b>	<u>685,038</u>	<u>608,134</u>
<b>Operating Expenses</b>		
Operation.....	331,927	294,616
Maintenance.....	55,461	49,242
Depreciation.....	60,515	55,937
Provision for Taxes		
Federal Income Taxes.....	23,541	21,695
State and Local Income Taxes.....	7,890	7,457
Deferred Income Taxes.....	7,306	3,947
Investment Tax Credit Adjustments, net..	1,870	569
Taxes, Other than Income.....	52,980	47,109
<b>Total Operating Expenses</b>	<u>541,490</u>	<u>480,572</u>
<b>Operating Income</b> .....	<u>143,548</u>	<u>127,562</u>
<b>Other Income</b>		
Allowance for Funds Used During		
Construction.....	42,450	31,691
Other Income and Deductions, net.....	(239)	1,516
<b>Total Other Income</b>	<u>42,211</u>	<u>33,207</u>
<b>Income Before Interest Charges</b> .....	<u>185,759</u>	<u>160,769</u>
<b>Interest Charges</b>		
Long-Term Debt.....	73,383	60,854
Other Interest.....	4,402	6,291
<b>Total Interest Charges</b>	<u>77,785</u>	<u>67,145</u>
<b>Net Income</b> .....	107,974	93,624
<b>Dividends on Preferred Stock</b> .....	21,558	15,320
<b>Earnings Applicable to Common Stock</b> .....	<u>\$ 86,416</u>	<u>\$ 78,304</u>
<b>Shares of Common Stock—Average</b> .....	41,505,013	37,322,917
<b>Earnings Per Average Share (Dollars)</b> .....	\$2.08	\$2.10

The notes and schedules to financial statements are an integral part of this statement.



Philadelphia Electric Company and Subsidiary Companies

Consolidated Balance Sheet

	December 31	
	1972	1971
	(Thousands of Dollars)	
<b>Assets</b>		
Utility Plant, at original cost		
Electric.....	\$2,811,059	\$2,467,187
Gas.....	257,768	238,434
Steam.....	40,762	39,032
Common, used in all services.....	113,054	106,348
	3,222,643	2,851,001
Less: Accumulated Depreciation.....	624,244	585,670
	<u>2,598,399</u>	<u>2,265,331</u>
Investments, at cost		
Nonutility Property.....	5,957	2,787
Other Investments.....	3,506	3,234
	<u>9,463</u>	<u>6,021</u>
<b>Current Assets</b>		
Cash.....	10,174	12,331
Special Deposits.....	6,950	4,528
Pollution Control Funds Held by Trustee....	38,002	—
Temporary Cash Investments.....	696	8,384
Accounts Receivable		
Utility Customers.....	55,762	44,891
Merchandising and Jobbing.....	11,948	13,207
Other.....	4,393	4,811
Materials and Supplies, at average cost		
Operating and Construction.....	19,892	18,980
Fuel.....	17,956	14,209
Merchandise for Sale.....	997	1,030
Prepayments.....	2,753	1,931
	<u>169,523</u>	<u>124,302</u>
<b>Deferred Debits</b>		
Unamortized Debt Discount and Expense...	4,381	3,987
Other.....	3,129	2,622
	<u>7,510</u>	<u>6,609</u>
<b>Total</b>	<u>\$2,784,895</u>	<u>\$2,402,263</u>

The notes and schedules to financial statements are an integral part of this statement.



	December 31	
	1972	1971
(Thousands of Dollars)		
<b>Liabilities</b>		
<b>Capitalization</b>		
Stockholders' Equity		
Preferred Stock—See Schedule, page 30.	\$ 337,472	\$ 262,472
Premium on Preferred Stock.....	1,214	1,214
Common Stock—See Schedule, page 30..	622,501	528,217
Retained Earnings.....	270,971	254,734
	<u>1,232,158</u>	<u>1,046,637</u>
Long-Term Debt—See Schedule, page 30...	1,300,759	1,178,889
	<u>2,532,917</u>	<u>2,225,526</u>
<b>Current Liabilities</b>		
Notes Payable		
Bank Loans.....	41,100	1,800
Commercial Paper.....	62,710	47,467
Accounts Payable.....	36,699	32,288
Customers' Deposits.....	1,392	1,187
Taxes Accrued		
Federal Income.....	6,497	3,394
Other.....	11,932	18,911
Interest Accrued.....	18,066	17,543
Dividends Declared.....	12,835	8,419
Other.....	4,030	1,982
	<u>195,261</u>	<u>132,991</u>
<b>Deferred Credits</b>		
Accumulated Deferred Income Taxes.....	30,091	22,785
Accumulated Deferred Investment Tax		
Credits.....	8,264	6,394
Unamortized Premium on Debt.....	962	1,025
Other.....	1,530	487
	<u>40,847</u>	<u>30,691</u>
Operating Reserves.....	<u>3,237</u>	<u>1,071</u>
Contributions in Aid of Construction.....	12,633	11,984
<b>Total</b>	<u>\$2,784,895</u>	<u>\$2,402,263</u>



Philadelphia Electric Company and Subsidiary Companies

Consolidated Statement of Retained Earnings

			For the Year Ended December 31	
			1972	1971
			(Thousands of Dollars)	
Balance, January 1			\$254,734	\$239,468
Add—Net Income (from page 25)			107,974	93,624
			<u>362,708</u>	<u>333,092</u>
Deduct				
Cash Dividends Declared				
Preferred Stock				
Series	Annual Rate			
	Per Share			
8.75%	\$8.75		5,687	5,687
7.85%	7.85		3,925	3,359*
7.80%	7.80		4,388*	—
7.75%	7.75		1,550	263*
7%	7.00		2,800	2,800
4.68%	4.68		702	702
4.4%	4.40		1,209	1,209
4.3%	4.30		645	645
3.8%	3.80		1,140	1,140
Common Stock	1.64		67,735	60,689
			<u>89,781</u>	<u>76,494</u>
Expenses of New Issues				
Preferred Stock			973	1,043
Common Stock			983	821
			<u>91,737</u>	<u>78,358</u>
Balance, December 31			<u>\$270,971</u>	<u>\$254,734</u>

\*Partial-year dividends.

The notes and schedules to financial statements are an integral part of this statement.

Notes to Financial Statements—Thousands of Dollars

1. Significant Accounting Policies  
Depreciation and Deferred Income Taxes. For financial reporting purposes, the Company provides for depreciation over the estimated service lives of the plant on a straight-line basis. Higher depreciation deductions are taken for tax purposes based on the use of a liberalized method of com-

puting depreciation and of shorter lives permitted by the Internal Revenue Service. Income tax deferrals, reflecting this higher depreciation on certain plant additions prior to December 31, 1969, have reduced operating expenses in accordance with the regulatory commission treatment for rate-making purposes. However, beginning in 1971, the Com-

pany has normalized the effect of tax deferrals resulting from the continued use of double declining balance tax depreciation on plant additions after December 31, 1969, which increase system capacity, in accordance with the 1969 Tax Reform Act and the policy adopted by the regulatory commissions in 1970. The Company is also using the Class Life System (ADR) pro-



vided by the 1971 Revenue Act for tax depreciation purposes on plant additions after January 1, 1971, and is normalizing the resultant tax deferrals. The adoption of normalization of these tax deferrals for 1971 and subsequent years reduces tax deferrals that flow through to income and increases normalization charges (deferred income taxes—\$4,766 in 1971 and \$8,412 in 1972) as new plant is added to the system.

The balance of accumulated deferred income taxes at December 31, 1972 consists of (1) deferred income taxes (\$11,438) applicable to plant installed in 1950-57 and subject to five-year amortization pursuant to certificates of necessity, which are being credited to income over the remaining life of the related plant; (2) the income tax deferrals (\$13,178) on plant additions after December 31, 1969, resulting from higher depreciation deductions for tax purposes, than those used for financial reporting purposes, which will be credited to income in years when depreciation deductions for financial reporting purposes exceed those deductible for tax purposes; and, (3) the unamortized balance (\$5,475) of an income tax refund which resulted from higher depreciation deductions for tax purposes in prior years due to the retroactive application of guideline lives.

**Investment Tax Credit.** Federal income tax expense reflects reductions of \$4,065 for 1972 and \$3,748 for 1971, representing the investment tax credit arising from the investment in new plant placed in service during these years. These tax reductions are deferred by equivalent charges to income and subsequently amortized by credits to income over a five-year period for investment tax credits at the former three percent rate, and over the estimated useful life of the utility plant for credits at

the present four percent rate under the Revenue Act of 1971.

**Allowance for Funds Used During Construction.** Allowance for funds used during construction represents the estimated net cost of funds used for construction purposes. In accordance with regulatory systems of accounts, the allowance is included as a cost of construction in the plant accounts and as "Other Income" in the Consolidated Statement of Income for financial reporting purposes; however, for income tax purposes, the allowance is not included in taxable income. The effect on income taxes, to the extent not offset by a related reduction in depreciation expense for tax purposes, is reflected in income.

**Increased Rates.** Rate increases are reflected in revenues as billed from dates authorized or permitted to become effective by regulatory authorities. See text of this report, "Rate Increases," on page 4.

## 2. Utility Plant

Utility plant includes construction work in progress of \$751,014 and \$542,228 at December 31, 1972 and 1971, respectively. Construction expenditures for the year 1973 are estimated at \$523,000.

## 3. Pollution Control Funds Held by Trustee

In 1972, the Company entered into a Pollution Control Facilities Agreement with the Delaware County Industrial Development Authority under which the Authority has agreed to finance certain air and water pollution control facilities at the Company's generating stations through the issuance of one or more series of the Authority's Pollution Control Revenue Bonds.

On November 22, 1972, in the first financing under the Pollution

Control Facilities Agreement, the Authority issued and sold \$40,000 principal amount of its Pollution Control Revenue Bonds, 1972 Series A, and the Company issued to the trustee under the indenture securing such Revenue Bonds its corresponding \$40,000 Pollution Control Note, Series A, payable in annual installments during the years 1974 through 1999 at an effective annual interest rate of approximately 5.5 percent. The funds are on deposit with the trustee, subject to requisition by the Company as expenditures are made for facilities.

## 4. Long-Term Lease Agreement

Under a 25-year lease agreement which began in 1971, the Company leases 17 combustion turbine-generators, costing approximately \$40,000, at an annual rental of \$3,800.

## 5. Pension Plan

The Companies have a noncontributory service annuity plan applicable to all regular employees. The annuities are determined under a formula which is applied uniformly to all employees regardless of position, and the amount depends on length of service and compensation earned to normal retirement age. The annuities are paid out of an irrevocable trust fund, to which the Companies make annual contributions sufficient to meet actuarial requirements. Actuarial studies, which take market appreciation of securities into consideration, indicate that the requirement for prior service cost is approximately fully funded. Contributions by the Companies for future annuities aggregated \$8,020 in 1972 and \$6,935 in 1971 of which approximately 26 percent associated with construction labor was included in the cost of new utility plant.



# Philadelphia Electric Company and Subsidiary Companies

## Schedule of Capital Stock—December 31, 1972

Preferred Stock (\$100 par) cumulative:

Series	Redemption Price (A)	Number of Shares		Amount
		Authorized	Outstanding	(Thousands of Dollars)
8.75% .....	\$110.00	650,000	650,000	\$ 65,000
7.85% (Sold 1971 at \$100 per share)...	108.00	500,000	500,000	50,000
7.80% (Sold 1972 at \$100 per share)...	108.00	750,000	750,000	75,000
7.75% (Sold 1971 at \$100 per share)...	108.00	200,000	200,000	20,000
7% .....	107.00	400,000	400,000	40,000
4.68% .....	104.00	150,000	150,000	15,000
4.4% .....	112.50	274,720	274,720	27,472
4.3% .....	102.00	150,000	150,000	15,000
3.8% .....	106.00	300,000	300,000	30,000
Unclassified .....		1,625,280	—	—
Total Preferred Stock .....		5,000,000	3,374,720	\$337,472
Common Stock—no par (B) .....		65,000,000	44,728,691	\$622,501

(A) Redeemable, at the option of the Company, at the indicated dollar amounts per share, plus accrued dividends.

(B) Shares sold in 1971 and 1972 were 2,500,000 shares June 1971 at \$21.25 per share, 2,508,575 shares September 1971 at \$20.00 per share, 4,520,000 shares September 1972 at \$20.50 per share and 71,494 shares during 1972 under the Employee Stock Purchase Plan at an average of \$22.71 per share. At December 31, 1972 there were 328,506 shares reserved for issuance under the Employee Stock Purchase Plan.

## Schedule of Long-Term Debt—December 31, 1972

Philadelphia Electric Company:

First and Refunding Mortgage Bonds (A):

Series	Due	Amount (Thousands of Dollars)	Series	Due	Amount (Thousands of Dollars)	Series	Due	Amount (Thousands of Dollars)
6%	1973 .....	\$ 8,000	2¾%	1981 .....	\$30,000	6½%	1993 .....	\$ 60,000
5¼%	1973 .....	790	3¼%	1982 .....	35,000	4½%	1994 .....	50,000
6¼%	1973-76 .....	22,850	3½%	1983 .....	20,000	9%	1995 .....	80,000
2¾%	1974 .....	65,000	3½%	1985 .....	50,000	8¼%	1996 .....	80,000
8%	1975 .....	80,000	4¾%	1986 .....	50,000	6½%	1997 .....	75,000
8½%	1976 .....	46,700	4½%	1987 .....	40,000	7½%	1998 .....	100,000
5¾%	1977 .....	34,000	3¾%	1988 .....	40,000	7¾%	2000 .....	80,000
2⅞%	1978 .....	25,000	5%	1989 .....	50,000	7¾%	2001 .....	80,000
								1,202,340

Sinking Fund Debentures .....	4.85%	1986 .....	30,282
Pollution Control Note .....	5.5%	1974-97 .....	40,000
Total Philadelphia Electric Company .....			1,272,622

Philadelphia Electric Power Company—a subsidiary:

First Mortgage Bonds .....	2½%	1975 .....	3,137
Sinking Fund Debentures .....	4½%	1995 .....	25,000
Total Long-Term Debt .....			\$1,300,759 (B)

(A) On January 22, 1973 \$100,000, 7½% Series due 1999, were sold at a net cost to the Company of 7.534 percent.

(B) Includes \$13,495 due within one year to meet bond maturities and sinking fund requirements.

## Report of Accountants

To Shareholders and the Board of Directors,  
Philadelphia Electric Company,  
Philadelphia, Pennsylvania

We have examined the consolidated balance sheet of Philadelphia Electric Company and Subsidiary Companies as of December 31, 1972, the related statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported upon the consolidated financial statements of the companies for the year 1971.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of Philadelphia Electric Company and Subsidiary Companies at December 31, 1972 and 1971, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

1900 Three Girard Plaza,  
Philadelphia, Pennsylvania,  
February 7, 1973

LYBRAND, ROSS BROS. & MONTGOMERY



# Financial Statistics

	1972	1971	1970	1969	1968	1967	1962
Summary of earnings (millions of dollars)							
Operating Revenue (for details see page 32)....	\$685.0	\$608.1	\$504.4	\$440.5	\$405.2	\$376.5	\$303.2
Operating Expenses							
Labor.....	120.4	108.8	103.0	93.9	86.3	81.4	63.4
Fuel and Energy Interchanged.....	212.0	189.8	137.3	110.0	102.4	86.7	69.7
Other Materials, Supplies, and Services.....	55.0	45.2	42.6	32.2	29.3	27.6	22.1
Total Operation and Maintenance.....	387.4	343.8	282.9	236.1	218.0	195.7	155.2
Depreciation.....	60.5	55.9	53.9	49.3	45.4	41.8	33.7
Taxes.....	93.6	80.8	59.9	53.8	49.6	51.5	47.7
Total Operating Expenses.....	541.5	480.5	396.7	339.2	313.0	289.0	236.6
Operating Income.....	143.5	127.6	107.7	101.3	92.2	87.5	66.7
Other Income							
Allowance for Funds Used During Construction	42.5	31.7	18.5	7.9	4.1	4.8	0.7
Other Income and Deductions, net.....	(0.2)	1.5	0.2	0.1	5.5	0.3	—
Total Other Income.....	42.3	33.2	18.7	8.0	9.6	5.1	0.7
Income Before Interest Charges.....	185.8	160.8	126.4	109.3	101.8	92.6	67.4
Interest Charges							
Long-Term Debt.....	73.4	60.9	50.3	38.2	33.6	26.8	19.5
Other Interest.....	4.4	6.3	7.7	6.8	2.6	2.6	0.3
Total Interest Charges.....	77.8	67.2	58.0	45.0	36.2	29.4	19.8
Net Income.....	108.0	93.6	68.4	64.3	65.6	63.2	47.6
Dividends on Preferred Stock.....	21.6	15.3	8.6	5.9	3.7	3.7	3.7
Earnings Applicable to Common Stock.....	86.4	78.3	59.8	58.4	61.9	59.5	43.9
Dividends on Common Stock.....	67.7	60.7	53.7	48.8	47.6	44.8	32.7
Retained Earnings.....	\$18.7	\$17.6	\$6.1	\$9.6	\$14.3	\$14.7	\$11.2
Earnings per Average Share (dollars).....	\$2.08	\$2.10	\$1.84	\$1.97	\$2.13	\$2.13	\$1.61
Dividends Paid per Share (dollars).....	\$1.64	\$1.64	\$1.64	\$1.64	\$1.64	\$1.60	\$1.20

## Summary of financial condition—December 31 (millions of dollars)

Assets	Utility Plant, at Original Cost.....	\$3,222.6	\$2,851.0	\$2,521.6	\$2,188.6	\$1,951.2	\$1,791.5	\$1,383.3
	Less: Accumulated Depreciation.....	624.2	585.7	549.5	514.2	491.4	459.8	333.3
	Total Utility Plant.....	2,598.4	2,265.3	1,972.1	1,674.4	1,459.8	1,331.7	1,050.0
	Investments.....	9.5	6.0	3.9	5.0	4.0	6.3	2.2
	Current Assets							
	Cash.....	10.2	12.3	13.9	13.0	11.4	11.4	11.2
	Pollution Control Funds Held by Trustee.....	38.0	—	—	—	—	—	—
	Temporary Cash Investments.....	0.7	8.4	4.5	—	0.2	1.5	—
	Accounts Receivable.....	72.1	63.0	50.8	44.1	41.3	47.0	26.6
	Materials and Supplies.....	38.8	34.2	33.6	29.1	26.0	23.8	22.6
	Other.....	9.7	6.5	7.6	5.6	5.7	5.3	6.0
	Deferred Debits.....	7.5	6.6	5.5	4.9	5.2	4.1	4.7
	Total Assets.....	\$2,784.9	\$2,402.3	\$2,091.9	\$1,776.1	\$1,553.6	\$1,431.1	\$1,123.3
Liabilities	Preferred Stock.....	\$ 337.5	\$ 262.5	\$ 192.5	\$ 127.5	\$ 87.5	\$ 87.5	\$ 87.5
	Premium on Preferred Stock.....	1.2	1.2	1.2	1.2	1.2	1.2	1.2
	Common Stock.....	622.5	528.2	424.9	365.0	298.3	298.3	248.3
	Retained Earnings.....	271.0	254.7	239.5	235.4	227.4	213.1	145.2
	Total Stockholders' Equity.....	1,232.2	1,046.6	858.1	729.1	614.4	600.1	482.2
	Long-Term Debt.....	1,300.8	1,178.9	1,053.7	857.2	794.3	701.6	546.7
	Current Liabilities							
	Bank Loans.....	41.1	1.8	14.6	50.1	26.1	47.7	14.9
	Commercial Paper.....	62.7	47.5	60.9	48.6	34.9	—	—
	Accounts Payable and Dividends Declared...	49.5	40.7	42.7	30.7	25.0	22.9	15.0
	Taxes Accrued.....	18.4	22.3	9.4	8.4	7.2	6.8	21.8
	Other.....	23.6	20.7	18.4	16.2	14.6	10.0	9.5
	Deferred Credits.....	40.8	30.7	20.6	21.4	23.1	28.0	21.9
	Operating Reserves.....	3.2	1.1	1.8	3.0	2.9	3.1	2.6
	Contributions in Aid of Construction.....	12.6	12.0	11.7	11.4	11.1	10.9	8.7
	Total Liabilities.....	\$2,784.9	\$2,402.3	\$2,091.9	\$1,776.1	\$1,553.6	\$1,431.1	\$1,123.3



Operating Statistics		1972	1971	1970	1969	1968	1967	1962
Electric Operations	Output (millions of kilowatt-hours)							
	Steam.....	20,181	19,849	19,446	20,020	17,865	17,087	13,614
	Nuclear.....	97	206	137	130	124	144	—
	Hydraulic.....	2,242	1,738	1,877	1,342	1,586	1,895	1,120
	Pumped-Storage Output.....	1,430	1,639	1,829	1,733	1,429	400	—
	Pumped-Storage Input.....	(2,018)	(2,302)	(2,523)	(2,395)	(1,971)	(555)	—
	Purchase and Net Interchange.....	3,472	2,889	2,886	2,293	2,917	1,090	201
	Internal Combustion.....	946	940	744	341	126	53	2
	Other.....	1	86	45	5	33	56	—
	Total Electric Output.....	26,351	25,045	24,441	23,469	22,109	20,170	14,937
	Sales (millions of kilowatt-hours)							
Gas Operations	Residential.....	6,856	6,649	6,381	5,812	5,330	4,763	3,405
	Small Commercial and Industrial.....	2,503	2,428	2,365	2,293	2,256	2,125	1,781
	Large Commercial and Industrial.....	14,011	13,296	12,970	12,663	11,961	10,724	7,635
	All Other.....	1,136	1,085	1,097	1,105	1,075	1,091	1,081
	Total Electric Sales.....	24,506	23,458	22,813	21,873	20,622	18,703	13,902
	Number of Customers, Dec. 31							
	Residential*.....	1,090,921	1,079,585	1,070,312	1,060,376	1,034,393	1,021,216	940,199
	Small Commercial and Industrial*.....	118,522	119,203	120,034	120,997	136,917	138,898	151,816
	Large Commercial and Industrial.....	5,645	5,517	5,465	5,359	5,204	4,993	4,129
	All Other.....	2,163	2,130	2,101	2,045	2,009	2,021	1,839
	Total Electric Customers.....	1,217,251	1,206,435	1,197,912	1,188,777	1,178,523	1,167,128	1,097,983
	Operating Revenue (millions of dollars)							
	Residential.....	\$222.7	\$198.3	\$161.7	\$135.0	\$121.3	\$110.7	\$85.3
	Small Commercial and Industrial.....	88.1	78.6	66.3	58.9	56.5	54.0	48.8
	Large Commercial and Industrial.....	228.6	198.2	158.4	138.2	126.2	115.5	91.1
	All Other.....	35.0	31.6	26.1	23.2	21.9	20.7	19.3
	Total Electric Revenue.....	\$574.4	\$506.7	\$412.5	\$355.3	\$325.9	\$300.9	\$244.5
	Residential Sales							
	Average Use per Customer (kilowatt-hours)	6,317	6,187	5,990	5,557	5,187	4,699	3,649
	Average Revenue per Kilowatt-hour.....	3.25¢	2.98¢	2.54¢	2.32¢	2.28¢	2.33¢	2.51¢
	Electric Peak Load							
	Net Hourly Demand (thousand kw).....	5,313	4,922	4,712	4,592	4,375	3,727	2,721
	Net Electric Generating Capacity (thous. kw.)	6,348	6,366	5,564	5,115	5,111	4,678	3,410
	Average Cost of Fuel per Ton.....	\$15.91	\$15.29	\$10.62	\$8.52	\$8.60	\$8.51	\$9.48
	Btu per Net Kilowatt-hour Generated.....	10,666	10,782	11,079	11,009	10,867	10,689	10,149
Gas Operations	Sales (millions of cubic feet)							
	Residential.....	2,418	2,441	2,454	2,376	2,341	2,309	2,252
	House Heating.....	26,026	25,165	24,949	23,403	22,447	22,197	18,218
	Commercial and Industrial.....	20,353	18,743	17,460	16,124	14,561	13,006	6,993
	All Other.....	2,433	2,537	2,074	2,043	1,233	1,155	61
	Total from Distribution System.....	51,230	48,886	46,937	43,946	40,582	38,667	27,524
	Direct from Pipelines.....	18,808	19,446	20,950	23,685	20,989	18,962	14,828
	Total Gas Sales.....	70,038	68,332	67,887	67,631	61,571	57,629	42,352
	Number of Customers, Dec. 31							
	Residential**.....	94,035	95,478	97,250	98,598	97,971	98,991	105,400
	House Heating**.....	159,780	154,902	149,800	145,879	140,792	136,371	118,214
	Commercial and Industrial**.....	20,312	19,778	19,063	18,491	21,078	20,566	15,040
	Total Gas Customers.....	274,127	270,158	266,113	262,968	259,841	255,928	238,654
	Operating Revenue (millions of dollars)							
	Residential.....	\$ 6.2	\$ 6.2	\$ 6.0	\$ 5.7	\$ 5.7	\$ 5.6	\$ 5.7
	House Heating.....	48.4	45.8	43.1	39.6	38.0	37.6	31.0
	Commercial and Industrial.....	26.7	24.0	21.1	18.7	17.0	15.3	8.4
	All Other.....	1.5	1.4	1.2	1.1	0.6	0.6	0.1
	Total from Distribution System.....	82.8	77.4	71.4	65.1	61.3	59.1	45.2
	Direct from Pipelines.....	10.1	9.5	9.2	9.7	8.6	7.6	5.8
	Other Revenue.....	0.4	0.4	0.4	0.3	0.3	0.3	0.3
	Total Gas Revenue.....	\$93.3	\$87.3	\$81.0	\$75.1	\$70.2	\$67.0	\$51.3
Steam Operations	Sales (millions of pounds).....	8,328	8,223	8,172	7,905	7,578	7,252	5,987
	Number of Customers, Dec. 31***.....	737	733	939	1,179	1,180	1,157	1,106
	Total Steam Revenue (millions of dollars)....	\$17.3	\$14.2	\$10.9	\$10.1	\$9.1	\$8.6	\$7.4

\*Reflects reclassification of customers from small commercial and industrial to residential (14,442 in 1969).

\*\*Reflects reclassification of 2,976 customers from commercial and industrial to residential and house heating in 1969.

\*\*\*The reduction in customers in 1970 and 1971 reflects the phasing out and shutdown on October 15, 1971, of steam heating service (less than \$300,000 annual revenue) in the Borough of West Chester, Pa.



*New liquefied natural gas plant at West Conshohocken stores off-season gas in liquid form at a temperature of minus 260 degrees Fahrenheit. At this extremely low temperature, liquefied gas requires less than 1/600 of the space needed to store it in gaseous form. This facility makes it possible to meet heavy customer demands at the height of the heating season.*





# PHILADELPHIA ELECTRIC COMPANY



*Marine biologists collect specimens as part of continuous study conducted for Philadelphia Electric to protect aquatic life in the Susquehanna River. In the background are cooling towers for the new generating units at the Peach Bottom atomic power station.*